

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 SS-15
NSC-05 PA-01 USIA-06 SIG-03 MMO-01 /067 W
-----056957 311210Z /10

R 311136Z MAR 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 7200
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY MADRID
AMEMBASSY BRUSSELS
AMCONSUL MUNICH
AMCONSUL HAMBURG
AMCONSUL BREMEN

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BRUSSELS PASS FAA

E.O. 11652: N/A
TAGS: EAIR, GW, FR, UK
SUBJECT: CIVAIR: EUROPEANS SIGN AIRBUS/JET MEMORANDUM

REF: A. LONDON 4469; B. MUNICH 1332; C. BONN 3004

SUMMARY: MESSERSCHMITT-BOWLKOW-BLOHM (MBB) OFFICIALS
CONFIRMED RECENT GERMAN PRESS REPORTS THAT BRITISH
AEROSPACE, MBB, VFW-FOKKER AND AEROSPATIALE SIGNED A
MEMORANDUM OF UNDERSTANDING COVERING PROPOSED FUTURE
DEVELOPMENTS OF THE 220-SEAT B-10 VERSION OF THE AIRBUS
AND OF THE JET AIRCRAFT IN THE 120 AND 160 SEAT VERSIONS.
ALTHOUGH THE MEMORANDUM CLEARLY INDICATES THAT AIRBUS
INDUSTRIE WOULD BE THE COMPANY THROUGH WHICH THE AIR-
CRAFT WILL BE BUILT, A FINAL AGREEMENT ON COOPERATION
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WILL NOT BE SIGNED UNTIL EXPLORATORY DISCUSSIONS WITH
POTENTIAL AIRLINE USERS ARE COMPLETED. END SUMMARY.

1. THE WEST GERMAN PRESS RECENTLY REPORTED THAT THE
FOUR EUROPEAN AIRPLANE MANUFACTURERS LISTED IN THE
SUMMARY SIGNED A MEMORANDUM OF UNDERSTANDING CONCERNING
THE FUTURE DEVELOPMENT OF AIRCRAFT PRODUCED BY AIRBUS

INDUSTRIE. THE AGREEMENT REPORTEDLY COVERS THE FIRMS' MUTUAL RELATIONS AND RESPONSIBILITIES IN THE DEVELOPMENT AND MANUFACTURING OF THE A300 B 10 AND OF TWO "JET" AIRCRAFT, THE 120 AND 160 SEAT VERSIONS. ALTHOUGH THE MEMORANDUM IS NOT A FINAL AGREEMENT OF COOPERATION, THE GERMAN AIRBUS COMPANY STRESSED THAT THE AGREEMENT EMPHASIZED THE COMMITMENT OF EUROPE'S MOST IMPORTANT AIRCRAFT PRODUCERS TO WORK TOGETHER IN MEETING THE SPECIFIC REQUIREMENTS OF THE AIRLINES. THIS ACTION, THE GERMAN FIRM SAID, WILL IN TURN STRENGTHEN THE CONFIDENCE OF THE AIRLINES IN EUROPEAN AIRCRAFT MANUFACTURERS. THE PRESS NOTED THAT DISCUSSIONS WITH PROSPECTIVE AIRLINES IS NOW TAKING PLACE. IF FIRM COMMITMENTS FOR NEW ORDERS CAN BE OBTAINED, A FINAL COOPERATIVE AGREEMENT, WITH UK PARTICIPATION, IS EXPECTED. THE GERMAN AIRBUS COMPANY POINTED OUT THAT A NEW COOPERATIVE AGREEMENT WOULD MEAN RECONSTRUCTION AND EXPANSION OF THE AIRBUS INDUSTRIE ORGANIZATION.

2. WELL PLACED AND RELIABLE OFFICIALS AT MBB (THE LEADING GERMAN MANUFACTURER IN AIRBUS INDUSTRIE) IN MUNICH AND HAMBURG CONFIRMED THAT A MEMORANDUM OF UNDERSTANDING BETWEEN THE FOUR FIRMS HAD BEEN SIGNED. THE MUNICH OFFICIAL TERMED THE PACT AN AGREEMENT IN PRINCIPLE WITH BRITISH AEROSPACE SIGNING AS A FULL-FLEDGED PARTNER. HE SAID THE CONSORTIUM WOULD GO LIMITED OFFICIAL USE

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AHEAD WITH THE PRODUCTION OF THE B-10 AND BOTH VERSIONS OF THE JET; HE EXPECTED A 1980-85 PRODUCTION RUN OF THE AIRCRAFT WITH DELIVERY DATE OF THE FIRST B-10 ESTIMATED AT JANUARY, 1980. THE MBB MUNICH

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OFFICIAL EXPLAINED THAT ALTHOUGH THE BREAK-EVEN POINT ON A SINGLE AIRCRAFT BASIS WOULD BE 400 UNITS, THE HIGH COMMONALITY OF THE THREE AIRPLANES WOULD ALLOW A COMBINED BREAK-EVEN POINT FOR THE THREE AIRCRAFT OF ONLY 550 UNITS. HE WAS OPTIMISTIC CONCERNING UK PARTICIPATION, POINTING OUT THAT THE NEW PROGRAMS WOULD INCLUDE PROVISIONS FOR THE USE OF BOTH GENERAL ELECTRIC AND ROLLS ROYCE ENGINES, THE LATTER CHOICE BEING A FURTHER INDUCEMENT FOR UK COOPERATION.

3. THE HAMBURG MBB OFFICIAL ALSO BELIEVED THE UK WOULD ENTER THE PROGRAM AS A FULL-FLEDGED PARTNER AND EXPECTED NO DIFFICULTIES IN INCLUDING ROLLS ROYCE ENGINES IN THE PROGRAM. HE AGREED THAT THE MEMORANDUM DID NOT COMMIT BRITISH AEROSPACE TO A SHARE IN BUILDING LIMITED OFFICIAL USE

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THE NEW AIRCRAFT BUT INDICATED THAT THE GERMAN/FRENCH DESIRE TO INCLUDE THE UK IN THIS NEW UNDERTAKING AND BRITISH AEROSPACE'S CONCERN NOT TO BE LEFT OUT AGAIN, WOULD CONDITION ALL PARTIES INTO FINDING A MUTUALLY SATISFACTORY AGREEMENT. HE WAS CANDID IN EXPECTING THAT BRITISH AEROSPACE AND ROLLS ROYCE PARTICIPATION WOULD GO A LONG WAY IN HELPING TO SELL THE NEW AIRCRAFT TO BRITISH AIRWAYS. THE HAMBURG OFFICIAL NOTED THAT THE US SHOULD NOT BE TOO CONCERNED WITH THIS IMPENDING NEW COMPETITION SINCE, LIKE THE AIRBUS, THE NEW AIRCRAFT WOULD MOST LIKELY CONTAIN 30 PERCENT AMERICAN-MADE COMPONENTS.

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